COMMONWEALTH OF AUSTRALIA

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Warning

CHARLES DARWIN UNIVERSITY

Family Name	
Given Names	
Student Number	
Teaching Period	Semester 2, 2016

FINAL EXAMINATION	**DURATION**
ACT503 – Corporate Accounting	Reading Time: **10** minutes Writing Time: **180** minutes

INSTRUCTIONS TO CANDIDATES

Please complete both section A and B.

Section A must be answered on the Answer sheet provided and must be handed in with your answer booklet. Please ensure that your name and student number are clearly indicated on your Answer Sheet and at the top of this examination paper.

Section B is to be answered in separate booklet.

EXAM CONDITIONS

You may begin writing from the commencement of the examination session. The reading time indicated above is provided as a guide only.

This is a RESTRICTED OPEN BOOK examination

Any non-programmable calculator is permitted

No handwritten notes are permitted

Hard copy, unannotated English translation dictionary only

ADDITIONAL AUTHORISED MATERIALS	**EXAMINATION MATERIALS TO BE SUPPLIED**
Relevant Legislation (Unannotated)	1 x 16 Page Book 1 x 4-Multiple Choice Answer Sheet 1 x Scrap Paper

THIS EXAMINATION IS PRINTED DOUBLE-SIDED.

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Section A
Multiple Choice Questions
Total No of Marks for this section: 50

This section should be answered on the Answer Sheet provided. Please ensure that your name and student number have been written on the Answer sheet and place in the answer booklet which you can use for your workings.

Marks for each question are indicated. Suggested Time allocation for Section A: 90 mins

Please note that Discount Tables are available on Page 20 of this exam paper.

Section B

Total Number of Marks for this section: 50

This section should be answered in the Answer Booklet provided. Please ensure that your name and student number have been written on the Answer Booklet and show all your workings.

Marks for each question are indicated. Suggested Time allocation for Section B: 90 mins

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Question 1

In the 30 June 2016 annual report of Payback Ltd, the equipment was reported as follows:

Equipment (at cost)	$	500 000
Accumulated Depreciation		(150 000)
		350 000

The equipment consisted of two machines, Machine A and Machine B. Machine A had cost $300 000 and had a carrying amount of $180 000 at 30 June 2016, and Machine B had cost $200 000 and was carried at $170 000. Both machines are measured using the cost model, and depreciated on a straight-line basis over a 10-year period.

On 31 December 2016, the directors of Payback Ltd decided to change the basis of measuring the equipment from the cost model to the revaluation model. Machine A was revalued to $180 000 with an expected useful life of 6 years, and Machine B was revalued to $155 000 with an expected useful life of 5 years.

At 30 June 2017, Machine A was assessed to have a fair value of $163 000 with an expected useful life of 5 years, and Machine B's fair value was $136 500 with an expected useful life of 4 years.

The tax rate is 30%.

Required

A. Prepare the journal entries during the period 1 July 2016 to 30 June 2017 in relation to the equipment. **(Marks 18)**

B. According to accounting standards, on what basis may management change the method of asset measurement, for example from cost to fair value? Very brief answer is expected. **(Marks 2)**

Question 2

Ron Ltd operates a number of supermarkets with an emphasis on the supply of quality produce. The operations of Sam Ltd are primarily in the fine fruit market. Believing that the acquisition of Sam Ltd would enable Ron Ltd to expand its supply of quality produce to its customers, Ron Ltd commenced actions to acquire the shares of Sam Ltd. On 1 July 2013, Ron Ltd acquired all the issued shares (*cum div.*) of Sam Ltd for $123 500. At this date the equity of Sam Ltd consisted of:

Share capital	$100 000
Reserves	5 000
Retained earnings	10 000

On 1 July 2013, Sam Ltd had recorded a dividend payable of $6000 and goodwill of $5000 (net of accumulated impairment losses of $7000). The dividend was paid in August 2013. In the previous year's annual report Sam Ltd had reported the existence of a contingent liability for damages based upon a lawsuit by a customer who had slipped on some fallen fruit in one of the stores operated by Sam Ltd. Ron Ltd calculated that this liability had a fair value of $10 000. Sam Ltd also had some customer databases that were not recorded as assets but Ron Ltd placed a fair value of $6000 on these items. Sam Ltd believed that the databases had a future life of 4 years.

All of the identifiable assets and liabilities of Sam Ltd were recorded at amounts equal to their fair values except for the following:

	Carrying amount	Fair value
Plant (cost $120 000)	$94 000	$96 000
Land	80 000	85 000
Inventory	20 000	24 000

The plant had an expected remaining useful life of 10 years. The land was sold by Sam Ltd in February 2015. The inventory was all sold by 30 June 2014.

In February 2016, Sam Ltd transferred $3000 of the reserves on hand at 1 July 2013 to retained earnings. The remaining $2000 was transferred in February 2017.

The court case involving the damages sought by the customer was settled in May 2017. Sam Ltd was required to pay $7500 to the customer. (Tax rate is 30%)

Required

Prepare the consolidation worksheet entries for the preparation by Sam Ltd of its consolidated financial statements at 30 June 2017. **(Marks 30)**

Table 1 Present value of $1: PVIF = $1/(1+k)^t$

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	14%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8772	0.8696
2	0.9803	0.9612	0.9426	0.9246	0.9070	0.8900	0.8734	0.8673	0.8417	0.8264	0.7972	0.7695	0.7561
3	0.9706	0.9423	0.9151	0.8890	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513	0.7118	0.6750	0.6575
4	0.9610	0.9238	0.8885	0.8548	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830	0.6355	0.5921	0.5718
5	0.9515	0.9057	0.8626	0.8219	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209	0.5674	0.5194	0.4972
6	0.9420	0.8880	0.8375	0.7903	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645	0.5066	0.4556	0.4323
7	0.9327	0.8706	0.8131	0.7599	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132	0.4523	0.3996	0.3759
8	0.9235	0.8535	0.7894	0.7307	0.6768	0.6274	0.5820	0.5403	0.5019	0.4665	0.4039	0.3506	0.3269
9	0.9143	0.8368	0.7664	0.7026	0.6446	0.5919	0.5439	0.5002	0.4604	0.4241	0.3606	0.3075	0.2843
10	0.9053	0.8203	0.7441	0.6756	0.6139	0.5584	0.5083	0.4632	0.4224	0.3855	0.3220	0.2697	0.2472
11	0.8963	0.8043	0.7224	0.6496	0.5847	0.5268	0.4751	0.4289	0.3875	0.3505	0.2875	0.2366	0.2149
12	0.8874	0.7885	0.7014	0.6246	0.5568	0.4970	0.4440	0.3971	0.3555	0.3186	0.2567	0.2076	0.1869
13	0.8787	0.7730	0.6810	0.6006	0.5303	0.4688	0.4150	0.3677	0.3262	0.2897	0.2292	0.1821	0.1625
14	0.8700	0.7579	0.6611	0.5775	0.5051	0.4423	0.3878	0.3405	0.2992	0.2633	0.2046	0.1597	0.1413
15	0.8613	0.7430	0.6419	0.5553	0.4810	0.4173	0.3624	0.3152	0.2745	0.2394	0.1827	0.1401	0.1229

Table 2 Present value of an annuity of $1 per period for n periods: PVIFA $= \sum_{t=1}^{n} \frac{1}{(1+k)^t} = \frac{1-\frac{1}{(1+k)^n}}{k}$

Number of payments	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	14%	15%
1	0.9901	0.9804	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091	0.8929	0.8772	0.8696
2	1.9704	1.9416	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591	1.7355	1.6901	1.6467	1.6257
3	2.9410	2.8839	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313	2.4869	2.4018	2.3216	2.2832
4	3.9020	3.8077	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397	3.1699	3.0373	2.9137	2.8550
5	4.8534	4.7135	4.5797	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897	3.7908	3.6048	3.4331	3.3522
6	5.7955	5.6014	5.4172	5.2421	5.0757	4.9173	4.7665	4.6229	4.4859	4.3553	4.1114	3.8887	3.7845
7	6.7282	6.4720	6.2303	6.0021	5.7864	5.5824	5.3893	5.2064	5.0330	4.8684	4.5638	4.2883	4.1604
8	7.6517	7.3255	7.0197	6.7327	6.4632	6.2098	5.9713	5.7466	5.5348	5.3349	4.9676	4.6389	4.4873
9	8.5660	8.1622	7.7861	7.4353	7.1078	6.8017	6.5152	6.2469	5.9952	5.7590	5.3282	4.9464	4.7716
10	9.4713	8.9826	8.5302	8.1109	7.7217	7.3601	7.0236	6.7101	6.4177	6.1446	5.6502	5.2161	5.0188
11	10.3876	9.7868	9.2526	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052	6.4951	5.9377	5.4527	5.2337
12	11.2551	10.5753	9.9540	9.3851	8.8633	8.3838	7.9427	7.5361	7.1607	6.8137	6.1944	5.6603	5.4206
13	12.1337	11.3484	10.6350	9.9856	9.3936	8.8527	8.3577	7.9038	7.4869	7.1034	6.4235	5.8424	5.5831
14	13.0037	12.1062	11.2961	10.5631	9.8986	9.2950	8.7455	8.2442	7.7862	7.3667	6.6282	6.0021	5.7245
15	13.8651	12.8493	11.9379	11.1184	10.3797	9.7122	9.1079	8.5595	8.0607	7.6061	6.8109	6.1422	5.8474